

State of the Nation: some observations related to the PM's speech

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Yesterday my colleague, Jessica Guy, presented her [reflections on proceedings at a Bruges Group fringe event](#) (featuring MPs Priti Patel, Andrea Jenkyns and Owen Paterson) for the Conservative Party Conference held on Monday. To describe the atmosphere within the packed auditorium was to evoke scenes at a Gospel revivalist preacher's show, for which the believers of a "One True Brexit" were rapturous at being told that Mrs May would be held to account for her Chequers proposals (notwithstanding that these proposals themselves have been rejected by the EU).

That hostility was demonstrated (particularly by one of the speakers, MP Priti Patel) to a question by a Guardian reporter about the prospects of Brexiteer Tory MPs mounting a leadership challenge, given these views, perhaps was not surprising. However, for all the fervour demonstrated by the speakers, one was left with a distinct feeling that much of the performance was rhetoric and posturing, designed to cajole Mrs May into adopting their arguments, rather than being a prelude to the improbable scenario of garnering enough support amongst their own fellow MPs to topple the Prime Minister.

And so today, to the Prime Minister's speech to the Conservative Party Conference, here in Birmingham. I will not alight too deeply on the imponderables of the permutations arising from Mrs May's avowed determination to stick to the substance of her Chequers proposals – enough has been written about this already. Rather, I wish to step back and scan the socio-economic landscape as it were, and try and see what wider trends are evocative of the state of the UK today, and in so doing offer some reflections on whether a Conservative Party currently consumed by Brexit, can reposition itself to adjust to these changing societal trends – and after eight years in power, offer something to the public beyond "Brexit means Brexit".

Again, much has been written around these, but I thought it would be useful to try and bring together trends in a few key economic

indicators, as it were, and then conclude with some remarks on the ethos underpinning Conservative “thinking” and its relevance today.

First, let’s consider living standards. One way of doing this is to look at growth in real wages (i.e., purchasing power after accounting for price changes/inflation). The chart below drives home the fact that real wages still have not recovered to their pre-2008 economic crisis levels, and what growth there had been is actually tailing off since the 2016 referendum. Post-referendum wages have seen purchasing power further hit with the fall in the value of £ Sterling (which suffice to say will offset the impact of limited proposals from the PM such as “freezing” fuel duty).

Hand-in-hand with this stagnation in real wages has come growth in forms of work associated with the “Gig Economy” – with people in highly precarious forms of work, now estimated to make up some 20% of the UK workforce^[1]. Work by John Philpott for the Resolution Foundation estimated that some 2.9% of the workforce were on a zero-hours contract during 2016 (The Guardian, November 15th 2016) , having increased from 0.5% in 2006 (although recent growth has slowed, suggesting that the impending Brexit might have acted to reduce the supply of EU workers willing to work for uncertain hours).



Source: ONS²

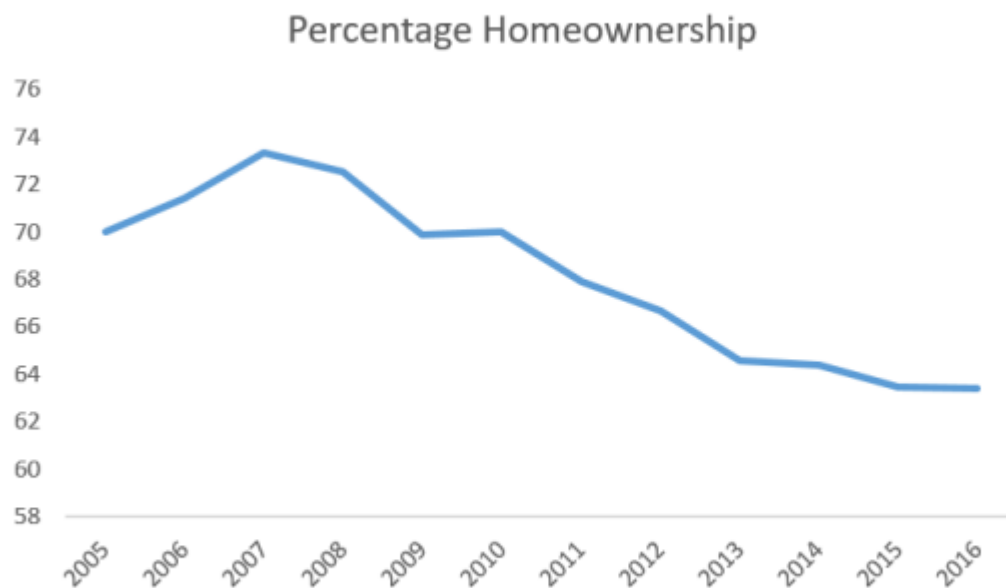
Second, let's examine the trends related to increases in life expectancy. One of the hallmarks of technological progress is that we should expect lifespans to increase as countries develop. However, what is distinctly noticeable in the UK is that the increase has slowed to virtually zero. Indeed, we see a sharp decline coterminous with the change of Government in 2010 (please note that I am not necessarily inferring causality here but the correlation is stark). This should be sobering food for thought for anyone concerned with the cumulative impacts of cuts to spending on public services and other amenities designed to preserve the social fabric of the nation over the past eight years.



Source: ONS³

Finally, let's have a look at trends in home ownership in the UK. Whilst we could argue that the virtues of home ownership, as opposed to renting, are over-rated, the fact remains that this is one of the totemic indicators of aspiration in the UK – indeed, “an Englishman's home is his castle”. For the Conservative Party this is even more so, and the promotion of home ownership by the Thatcher Government with the “right to buy” of Council houses pushed at the time, was seen

as a key weapon to wean the public away from “socialist” values such as public housing. However, as the chart below shows, home ownership % has fallen in recent years, and for young people (unless supported by affluent parents) is largely out of reach.



Source: Eurostat⁴

Theresa May has offered to allow councils greater borrowing powers in order to build new housing. However, it is unclear whether this is sufficiently ambitious to match the scale of the challenge. Indeed, in light of a decade of falling homeownership rates, falling real wages and a stall in life expectancy gains for the first time in at least a generation her claim that “our best days lie ahead of us” will ring hollow for many.

These developments all seem very far removed from a Conference auditorium atmosphere where Britannia is evoked by Government ministers reciting Milton stanzas (“*Methinks I see in my mind a noble and puissant nation rousing herself like a strong man after sleep and shaking her invincible locks....*”)[\[5\]](#)

In light of this, the question to ask is will a Brexit of any sort reverse the alarming trends in the UK that we see above? If Brexit means moving more in the direction of the “free market” so beloved by pro-Brexit lobby groups such as the [Institute for Economic Affairs](#) and the US-based [Heritage Foundation](#) (groups supportive of a US-UK “trade deal” that would see a “bonfire of the regulations” for things such as environmental standards and consumer protection laws) and free markets are characterised by greater poverty and inequality, then the answer is..... No.

[1] <https://www.theguardian.com/uk-news/2016/nov/15/more-than-7m-britons-in-precarious-employment> accessed October 3rd 2018.

[2] Office for National Statistics (2018) *Annual Weekly Earnings*, Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/a3ww/emp>

[3] Office for National Statistics (2018) *National Life Tables: UK*, Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/datasets/nationallifetablesunitedkingdomreferencetables>

[4] Eurostat (2018) *Distribution of population by tenure status, 2016* Available at: http://ec.europa.eu/eurostat/product?code=ilc_lvho02&language=en&mode=view

[5] <https://www.theguardian.com/politics/blog/live/2018/oct/03/tory-conference-may-announces-fuel-duty-freeze-despite-treasury-concerns-about-800m-cost-politics-live>